

**VILLAGE OF ESTRAL BEACH**  
Monroe County, Michigan

**ANNUAL FINANCIAL REPORT**

June 30, 2008

# VILLAGE OF ESTRAL BEACH

## *Table of Contents* *June 30, 2008*

<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-9
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	12-13
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	15-16
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Fiduciary Fund:	
Agency Fund - Statement of Fiduciary Net Assets .....	18
Notes to Financial Statements .....	19-27
<b>Required Supplemental Information:</b>	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual.....	28-29
Major Street Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual.....	30
Local Street Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual.....	31
<b>Other Supplemental Information:</b>	
1952 Dike Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual.....	32
Fire Millage Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget and Actual.....	33
Tax Collection Agency Fund:	
Statement of Changes in Assets and Liabilities .....	34



**COOLEY HEHL  
WOHLGAMUTH & CARLTON**  
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA  
David K. Hehl, CPA  
Robert W. Wohlgamuth, CPA  
Peter H. Carlton, CPA  
Matthew D. Hehl, CPA  
Deborah A. Sabo, CPA  
Nicklaus W. Calkins, CPA

One South Monroe Street • Monroe, Michigan 48161-2230  
Telephone: (734) 241-7200 • Fax: (734) 241-2637  
[www.chwccpa.com](http://www.chwccpa.com)

Members:  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants  
Division for CPA Firms American Institute of  
Certified Public Accountants

## Independent Auditor's Report

President and Village Council  
Village of Estral Beach  
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Estral Beach, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 28 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council  
Village of Estral Beach

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Estral Beach, Monroe County, Michigan's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Coolay Hehl Nohlgamuth & Carlton*

September 3, 2008

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis Year Ended June 30, 2008*

---

This section of the Village of Estral Beach's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Projects Funds.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Estral Beach financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's individual funds - the General Fund, the Major Street Fund, the Local Street Fund, the 1952 Dike Fund, and the Fire Millage Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

#### *Management's Discussion and Analysis (MD&A) (Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds  
(Required Supplemental Information)*

*Other Supplemental Information*

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2008*

---

#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 10-11), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, and recreation. Property taxes, state grants, and licenses and permits finance most of these activities.

#### **Fund Financial Statements**

The Village's Fund Financial Statements (pages 12-18) provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

**Governmental funds** - All of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

**Fiduciary funds** - An Agency Fund is used to account for assets held by the Village as an agent for the collection and disbursement of property taxes.

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2008*

#### **Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2008 and 2007:

**Table 1:**

#### **Comparative Statement of Net Assets**

	Governmental Activities	
	2008	2007
Current and other assets	\$189,360	\$174,190
Capital assets	<u>440,433</u>	<u>463,514</u>
<b>Total Assets</b>	629,793	637,704
Current and other liabilities	<u>6,327</u>	<u>15,123</u>
<b>Total Liabilities</b>	<u>6,327</u>	<u>15,123</u>
Net Assets:		
Invested in capital assets, net of related debt	440,433	461,947
Restricted for:		
Public access	7,734	7,342
Streets and highways	59,608	64,651
Flood control	26,448	27,940
Fire protection	54,299	30,837
Unrestricted	<u>34,944</u>	<u>29,864</u>
<b>Total Net Assets</b>	<u>\$623,466</u>	<u>\$622,581</u>

As depicted in Table 1, the Village's net assets were \$623,466 at June 30, 2008. Of this amount, a positive \$34,944 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2008*

#### **Government-Wide Financial Analysis – Concluded**

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2008 and 2007:

**Table 2:**

#### **Comparative Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 4,315	\$ 5,525
State and local grants	<u>48,934</u>	<u>49,761</u>
	53,249	55,286
General revenues:		
Property taxes	123,226	116,090
State grants	38,907	38,881
Other general revenues and transfers, net	<u>7,351</u>	<u>15,556</u>
	<u>169,484</u>	<u>170,527</u>
Total Revenues	222,733	225,813
<b>Functions/Program Expenses</b>		
Legislative	1,674	1,181
General government	44,789	30,390
Public safety	32,387	51,498
Public works	108,878	93,513
Culture and recreation	-	-
Other	<u>34,120</u>	<u>34,573</u>
Total Expenses	<u>221,848</u>	<u>211,155</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 885</u>	<u>\$ 14,658</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$221,848. Of this amount, \$53,249 was subsidized with revenue generated from charges for services, rentals and grants with the remaining costs financed with general revenues.

The Village experienced an increase in net assets of \$885. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net assets appears on page 14.



## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2008*

#### **Fund Financial Analysis**

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Estral Beach is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$183,033, which is an increase of \$22,399 from last year. The changes by funds are as follows:

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>1952 Dike Fund</u>	<u>Fire Millage Fund</u>	<u>Total</u>
<b>Fund balances - Beginning of year</b>	\$37,206	\$(38,950)	\$103,601	\$27,940	\$30,837	\$160,634
Increase (decrease)	<u>5,472</u>	<u>17,739</u>	<u>(22,782)</u>	<u>(1,492)</u>	<u>23,462</u>	<u>22,399</u>
<b>Fund balances - End of year</b>	<u>\$42,678</u>	<u>\$(21,211)</u>	<u>\$80,819</u>	<u>\$26,448</u>	<u>\$54,299</u>	<u>\$183,033</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
<b>Revenues</b>			
Property taxes	\$ 96,232	\$ 90,561	6.2 %
Licenses and permits	2,625	3,637	(27.8)%
State grants	38,907	38,881	0.1 %
Charges for services	230	440	(47.7)%
Interest	681	639	6.6 %
Other	<u>7,592</u>	<u>13,120</u>	(42.1)%
	<u>\$146,267</u>	<u>\$147,278</u>	(0.7)%

## VILLAGE OF ESTRAL BEACH

### *Management's Discussion and Analysis* *Year Ended June 30, 2008*

#### **Fund Financial Analysis – Concluded**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
<b>Expenditures</b>			
Legislative	\$ 1,674	\$ 1,181	41.7 %
General government	44,760	30,361	47.4 %
Public safety	12,911	14,699	(12.2)%
Public works	47,330	56,141	(15.7)%
Other	34,120	34,573	(1.3)%
Operating transfers out	<u>0</u>	<u>4,000</u>	(100.0)%
	<u>\$140,795</u>	<u>\$140,955</u>	(0.1)%

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues – Original budgeted revenues of \$142,045 were amended to \$142,385 to reflect increases in cable franchise fees, licenses and permits revenue, and miscellaneous revenue. Actual revenues of \$146,267 included property taxes of \$96,232 and state aid of \$38,907, which accounts for 92% of total revenues.

Expenditures -- Original budgeted expenditures of \$139,800 were amended to \$147,748 to reflect increases in legislative, general government, fire department, building department, and rubbish collection. The budgeted expenditures were reduced for the department of public works, flood control, and public access. Actual expenditures were \$140,795, which included increased expenses for elections, deputy treasurer's pay, and rubbish collection offset by decreased expenses for public works, flood control, and transfers to other funds.

## **VILLAGE OF ESTRAL BEACH**

### *Management's Discussion and Analysis Year Ended June 30, 2008*

---

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

At June 30, 2008, the Village had \$716,127 invested in a broad range of capital assets, including land, roads, building and building improvements, machinery and equipment, and vehicles. The amount represents an increase of \$18,621 from last year. This year's addition was the construction of a bike path. Depreciation for this year totaled \$41,702. Detailed information regarding capital assets is included in Note 7 to the financial statements.

##### **Debt Administration**

The Village originally borrowed \$28,500 to purchase a tractor on September 4, 2002. This note was paid in full during the fiscal year. Detailed information regarding debt is included in Note 5 to the financial statements.

#### **Development of the 2008-09 Fiscal Year Budget**

Our elected officials consider many factors when setting the Village's 2008-09 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, like decreased revenue sharing from the State since it accounts for 26 percent of our revenues. The original General Fund budget for 2008-09 estimates revenues of \$142,889 and expenditures of \$145,500, which results in a decrease of \$2,611 to its carryover fund balance.

#### **Contacting the Village of Estral Beach's Business Office**

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Estral Beach Clerk, P.O. Box 107, Newport, MI 48166.

**VILLAGE OF ESTRAL BEACH**

*Statement of Net Assets*  
*June 30, 2008*

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$172,851
Certificates of deposit	5,000
Accounts Receivable	0
Due from other governmental units	11,509
Depreciable capital assets, net	440,433
Total Assets	629,793
<b>Liabilities</b>	
Accounts payable	6,327
Total Liabilities	6,327
<b>Net Assets</b>	
Invested in capital assets, net of related debt	440,433
Restricted for:	
Public access	7,734
Streets and highways	59,608
Flood control	26,448
Fire protection	54,299
Unrestricted	34,944
Total Net Assets	\$623,466

See accompanying notes to the basic financial statements.

# VILLAGE OF ESTRAL BEACH

## Statement of Activities Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				Governmental Activities
Legislative	\$1,674	\$0	\$0	\$0
General government	44,789	230	0	0
Public safety	32,387	2,625	0	0
Public works	108,878	1,460	48,934	0
Other	34,120	0	0	0
Total Governmental Activities	\$221,848	\$4,315	\$48,934	\$0
General Revenues:				
Property taxes				123,226
State grants				38,907
Interest income				1,219
Other				6,132
Total General Revenues				169,484
Change in Net Assets				885
Net Assets - Beginning of year				622,581
Net Assets - End of year				\$623,466

See accompanying notes to the basic financial statements.

# VILLAGE OF ESTRAL BEACH

## Governmental Funds Balance Sheet June 30, 2008

		Special Revenue Funds	
	General	Major Street	Local Street
<b>Assets</b>			
Cash and cash equivalents	\$30,677	\$23,184	\$45,052
Certificates of deposit	0	0	0
Due from other funds	9,187	0	40,500
Due from other governmental units	11,509	0	0
Total Assets	<u>\$51,373</u>	<u>\$23,184</u>	<u>\$85,552</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$6,327	\$0	\$0
Due to other funds	2,368	44,395	4,733
Total Liabilities	8,695	44,395	4,733
<b>Fund Balances</b>			
Reserved for public access	7,734	0	0
Unreserved:			
Undesignated, reported in:			
General Fund	34,944	0	0
Special Revenue Funds	0	(21,211)	80,819
Capital Projects Funds	0	0	0
Total Fund Balances	<u>42,678</u>	<u>(21,211)</u>	<u>80,819</u>
Total Liabilities and Fund Balances	<u>\$51,373</u>	<u>\$23,184</u>	<u>\$85,552</u>

See accompanying notes to the basic financial statements.

Capital Projects Funds		
1952 Dike	Fire Millage	Totals
\$22,007	\$51,931	\$172,851
5,000	0	5,000
0	2,368	52,055
0	0	11,509
<u>\$27,007</u>	<u>\$54,299</u>	<u>\$241,415</u>
\$0	\$0	\$6,327
559	0	52,055
559	0	58,382
0	0	7,734
0	0	34,944
0	0	59,608
26,448	54,299	80,747
<u>26,448</u>	<u>54,299</u>	<u>183,033</u>
<u>\$27,007</u>	<u>\$54,299</u>	<u>\$241,415</u>

**VILLAGE OF ESTRAL BEACH**

*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets*  
*June 30, 2008*

<b>Total Fund Balances - Governmental Funds</b>		<b>\$183,033</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
Cost of the capital assets	\$716,127	
Accumulated depreciation	<u>(275,694)</u>	
		<u>440,433</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$623,466</u></b>

See accompanying notes to the basic financial statements.



# VILLAGE OF ESTRAL BEACH

## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

		Special Revenue Funds	
	General	Major Street	Local Street
<b>Revenues</b>			
Property taxes	\$96,232	\$0	\$0
Licenses and permits	2,625	0	0
State grants	38,907	36,355	12,579
Charges for services	230	0	0
Interest income	681	37	97
Other revenue	7,592	0	0
Total Revenues	146,267	36,392	12,676
<b>Expenditures</b>			
Legislative	1,674	0	0
General government	44,760	0	0
Public safety	12,911	0	0
Public works	47,330	18,653	35,458
Other	34,120	0	0
Total Expenditures	140,795	18,653	35,458
Excess (Deficiency) of Revenue Over Expenditures	5,472	17,739	(22,782)
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
<b>Net Change in Fund Balances</b>	5,472	17,739	(22,782)
Fund Balances - Beginning of year	37,206	(38,950)	103,601
Fund Balances - End of year	<u>\$42,678</u>	<u>(\$21,211)</u>	<u>\$80,819</u>

See accompanying notes to the basic financial statements.

Capital Projects Funds		Total
1952	Fire	Governmental
Dike	Millage	Funds
\$0	\$26,994	\$123,226
0	0	2,625
0	0	87,841
0	0	230
150	254	1,219
0	0	7,592
150	27,248	222,733
0	0	1,674
0	0	44,760
1,642	3,786	18,339
0	0	101,441
0	0	34,120
1,642	3,786	200,334
(1,492)	23,462	22,399
0	0	0
0	0	0
0	0	0
(1,492)	23,462	22,399
27,940	30,837	160,634
\$26,448	\$54,299	\$183,033

**VILLAGE OF ESTRAL BEACH**

*Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2008*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$22,399</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures;		
in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	(\$41,702)	
Capital outlay	18,621	
		(23,081)
Repayments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		1,567
<b>Change in Net Assets of Governmental Activities</b>		<b>\$885</b>

See accompanying notes to the basic financial statements.

**VILLAGE OF ESTRAL BEACH**

*Agency Fund*  
*Statement of Fiduciary Net Assets*  
*June 30, 2008*

	<u>Tax Collection Agency Fund</u>
<b>Assets</b>	
Cash	<u>\$1</u>
<b>Liabilities and net assets</b>	
Due to other governmental units	<u>\$1</u>

See accompanying notes to the basic financial statements.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements* *Year Ended June 30, 2008*

---

Note 1      Description of the Village and Reporting Entity

The Village operates under a locally elected five member Council form of government.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes general operations, library, fire, debt, street maintenance and construction, dike repairs, and fire protection.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2      Summary of Significant Accounting Policies

The financial statements of the Village of Estral Beach have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Village's government-wide activities are considered to be governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements* *Year Ended June 30, 2008*

---

Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The 1952 Dike Fund accounts for revenues accumulated to be used for maintaining the dike system.

The Fire Millage Fund accounts for proceeds from a tax millage for the purpose of operating and upgrading fire and rescue service and equipment.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village does not have any nonmajor governmental funds.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

## VILLAGE OF ESTRAL BEACH

*Notes to Financial Statements*  
*Year Ended June 30, 2008*

### Note 2      Summary of Significant Accounting Policies (Continued) Basis of Presentation (Continued)

#### C. Assets, Liabilities, and Net Assets or Equity (Continued)

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of one thousand dollars. The Village does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads	15-20 years
Buildings and buildings improvements	50 years
Machinery and equipment	10 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Property Taxes - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 14 of the following year.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2008*

---

#### Note 2      Summary of Significant Accounting Policies (Concluded) Basis of Presentation (Concluded)

##### C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.



## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2008*

#### Note 3      Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2008, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Major Street Fund	\$14,286	\$18,653	\$ (4,367)
Local Street Fund	12,070	35,458	(23,388)
1952 Dike Fund	1,053	1,642	(589)

#### Note 4      Property Tax

The Village bills and collects its own property taxes. Tax collections are accounted for in the Tax Collection Agency Fund. The Village tax levy was spread as follows:

	<u>Mills</u>	<u>Levy</u>
General Fund	4.9053	\$71,373
Rubbish	1.7050	24,807
Fire Millage Fund	1.8553	26,994

The Village's 2007 property taxes, levied on July 1, 2007 on assessed valuation as of December 31, 2006, were due and payable by September 14, 2007 per an extension approved by the Village Council. Taxable values, which amounted to \$14,550,472, are based on a percentage of the fair market value of the assessed property. Property tax revenue is recorded when the taxes are levied.

#### Note 5      Long-Term Debt

The Village has a note payable to Monroe Bank & Trust for the purchase of a New Holland Tractor. The note, dated September 4, 2002, is secured by the equipment and is payable at \$545 per month for sixty months. The note has an interest rate of 5.5% and was due September 4, 2007. The following is a summary of changes in long-term debt:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due in One Year</u>
Note payable to Monroe Bank & Trust for New Holland Tractor.	<u>\$1,567</u>	<u>\$ -</u>	<u>\$1,567</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF ESTRAL BEACH

Notes to Financial Statements  
Year Ended June 30, 2008

Note 6      Interfund Payables and Receivables  
Such balances at June 30, 2008, were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Major Street Fund	\$ 3,895	\$ -
Local Street Fund	4,733	-
1952 Dike Fund	559	-
Fire Millage Fund	-	2,368
Major Street Fund:		
General Fund	-	3,895
Local Street Fund	-	40,500
Local Street Fund:		
General Fund	-	4,733
Major Street Fund	40,500	-
1952 Dike Fund:		
General Fund	-	559
Fire Millage Fund:		
General Fund	<u>2,368</u>	<u>-</u>
	<u>\$52,055</u>	<u>\$52,055</u>

Interfund balances reflect temporary loans and reimbursements due in the normal course of interfund activity.

# VILLAGE OF ESTRAL BEACH

## *Notes to Financial Statements Year Ended June 30, 2008*

Note 7

Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets not being depreciated:				
Land	\$12,000	\$0	\$0	\$12,000
Capital assets being depreciated:				
Roads	406,372	18,621	0	424,993
Building and building improvements	61,446	0	0	61,446
Machinery and equipment	124,188	0	0	124,188
Vehicles	93,500	0	0	93,500
Total capital assets	697,506	18,621	0	716,127
Less accumulated depreciation:				
Roads	(35,803)	(21,457)	0	(57,260)
Building and building improvements	(56,538)	(229)	0	(56,767)
Machinery and equipment	(70,661)	(9,579)	0	(80,240)
Vehicles	(70,990)	(10,437)	0	(81,427)
Total accumulated depreciation	(233,992)	(41,702)	0	(275,694)
Net capital assets	<u>\$463,514</u>	<u>(\$23,081)</u>	<u>\$0</u>	<u>\$440,433</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 29
Public safety	14,048
Public works	<u>27,625</u>
Total governmental activities	<u>\$41,702</u>

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2008*

---

#### Note 8      Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank and Trust.

*Interest rate risk.* The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

*Concentration of credit risk.* The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$178,602 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of \$100,000, with uninsured deposits of \$78,602. The Village's deposits are at institutions with an established record of fiscal health and service. The Village Council approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

*Foreign currency risk.* The Village is not authorized to invest in investments which have this type of risk.

#### Note 9      Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

## VILLAGE OF ESTRAL BEACH

### *Notes to Financial Statements Year Ended June 30, 2008*

---

Note 10      Contingent Liability

The Village of Estral Beach is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended June 30, 2008, the Village incurred \$23 of expense and no provision has been made for any additional potential liability.

Note 11      Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2008, of \$2,625 did not exceed the related costs and administrative overhead.

Note 12      Deficit Fund Balance

The major street has a deficit fund balance of \$21,211 at June 30, 2008. The Village has filed a deficit elimination plan with the State of Michigan and has received approval of the plan.

# VILLAGE OF ESTRAL BEACH

*General Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended June 30, 2008*

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Operating	\$71,272	\$71,272	\$71,425	\$153
Rubbish	24,773	24,773	24,807	34
	<u>96,045</u>	<u>96,045</u>	<u>96,232</u>	<u>187</u>
Licenses and permits	2,000	2,850	2,625	(225)
State grants:				
State revenue sharing	38,000	37,080	38,907	1,827
Charges for services:				
Hall rental	500	500	230	(270)
Interest income	1,000	39	681	642
Other revenue:				
Contributions - Public Access	2,000	243	257	14
Franchise fee - cable	1,500	2,750	2,749	(1)
Equipment Rental	1,000	990	1,460	470
Miscellaneous	0	1,888	3,126	1,238
	<u>4,500</u>	<u>5,871</u>	<u>7,592</u>	<u>1,721</u>
Total Revenues	142,045	142,385	146,267	3,882
<b>Expenditures</b>				
Legislative:				
Village council	1,000	1,642	1,674	(32)
General government:				
President			75	
Elections			1,258	
Audit			7,595	
Attorney			5,000	
Clerk			4,823	
Treasurer			13,489	
Buildings and grounds			12,520	
	<u>30,000</u>	<u>37,782</u>	<u>44,760</u>	<u>(6,978)</u>

# VILLAGE OF ESTRAL BEACH

*General Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended June 30, 2008*

	Budgeted Amounts			Positive (Negative) Budget
	Original	Final	Actual	
<b>Expenditures (Concluded)</b>				
Public safety:				
Fire department	\$9,000	\$10,557	\$6,276	\$4,281
Building department	5,000	11,353	6,635	4,718
	<u>14,000</u>	<u>21,910</u>	<u>12,911</u>	<u>8,999</u>
Public works:				
Department of public works	20,000	7,912	8,318	(406)
Flood control	3,000	2,415	2,358	57
Street lighting	9,500	9,692	8,927	765
Rubbish collection	24,000	27,740	27,727	13
	<u>56,500</u>	<u>47,759</u>	<u>47,330</u>	<u>429</u>
Other:				
Public Access	500	0	0	0
Insurance and bonds	32,000	32,855	32,855	0
Miscellaneous	1,800	1,800	1,265	535
	<u>34,300</u>	<u>34,655</u>	<u>34,120</u>	<u>535</u>
Total Expenditures	<u>135,800</u>	<u>143,748</u>	<u>140,795</u>	<u>2,953</u>
Excess (Deficiency) of Revenues Over Expenditures	6,245	(1,363)	5,472	6,835
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>0</u>	<u>4,000</u>
<b>Net Change in Fund Balance</b>	2,245	(5,363)	5,472	10,835
Fund Balance - Beginning of year	<u>33,645</u>	<u>33,645</u>	<u>37,206</u>	<u>3,561</u>
Fund Balance - End of year	<u>\$35,890</u>	<u>\$28,282</u>	<u>\$42,678</u>	<u>\$14,396</u>

# VILLAGE OF ESTRAL BEACH

*Major Street Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State grants	\$38,000	\$32,821	\$36,355	\$3,534
Interest income	3,500	41	37	(4)
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<b>41,500</b>	<b>32,862</b>	<b>36,392</b>	<b>3,530</b>
<b>Expenditures</b>				
Public works:				
Preservation	500	0	0	0
Routine maintenance	5,000	9,568	13,138	(3,570)
Traffic services	1,000	2,601	2,601	0
Winter maintenance	1,000	1,505	2,292	(787)
Administration and engineering	600	612	622	(10)
<b>Total Expenditures</b>	<b>8,100</b>	<b>14,286</b>	<b>18,653</b>	<b>(4,367)</b>
Excess (Deficiency) of Revenues Over Expenditures	33,400	18,576	17,739	(837)
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(9,000)	(9,000)	0	9,000
<b>Net Change in Fund Balance</b>	<b>24,400</b>	<b>9,576</b>	<b>17,739</b>	<b>8,163</b>
Fund Balance - Beginning of year	20,763	20,763	(38,950)	(59,713)
Fund Balance - End of year	<u>\$45,163</u>	<u>\$30,339</u>	<u>(\$21,211)</u>	<u>(\$51,550)</u>



# VILLAGE OF ESTRAL BEACH

## *Local Street Fund* *Statement of Revenues, Expenditures, and Changes in Fund Balance* *Budget and Actual* *Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
State grants	\$12,000	\$11,583	\$12,579	\$996
Interest income	100	55	97	42
<b>Total Revenues</b>	<b>12,100</b>	<b>11,638</b>	<b>12,676</b>	<b>1,038</b>
<b>Expenditures</b>				
Public works:				
Preservation	0	0	18,620	(18,620)
Routine maintenance	7,000	9,500	14,265	(4,765)
Traffic services	500	1,044	1,043	1
Winter maintenance	500	945	945	0
Administration and engineering	900	581	585	(4)
<b>Total Expenditures</b>	<b>8,900</b>	<b>12,070</b>	<b>35,458</b>	<b>(23,388)</b>
Excess (Deficiency) of Revenues Over Expenditures	3,200	(432)	(22,782)	(22,350)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	9,000	9,000	0	(9,000)
<b>Net Change in Fund Balance</b>	<b>12,200</b>	<b>8,568</b>	<b>(22,782)</b>	<b>(31,350)</b>
Fund Balance - Beginning of year	45,287	45,287	103,601	58,314
Fund Balance - End of year	<u>\$57,487</u>	<u>\$53,855</u>	<u>\$80,819</u>	<u>\$26,964</u>

# VILLAGE OF ESTRAL BEACH

## 1952 Dike Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Interest income	\$150	\$150	\$150	\$0
<b>Expenditures</b>				
Public safety:				
Maintenance expense	5,000	1,053	1,642	(589)
Excess (Deficiency) of Revenues Over Expenditures	(4,850)	(903)	(1,492)	(589)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	4,000	4,000	0	(4,000)
<b>Net Change in Fund Balance</b>	(850)	3,097	(1,492)	(4,589)
Fund Balance - Beginning of year	30,163	30,163	27,940	(2,223)
Fund Balance - End of year	<u>\$29,313</u>	<u>\$33,260</u>	<u>\$26,448</u>	<u>(\$6,812)</u>

# VILLAGE OF ESTRAL BEACH

*Fire Millage Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual*  
*Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property taxes	\$26,956	\$26,956	\$26,994	\$38
Local grant	500	0	0	0
Interest income	700	75	254	179
Total Revenues	28,156	27,031	27,248	217
<b>Expenditures</b>				
Public safety:				
Fire protection	25,000	7,857	3,786	4,071
Total Expenditures	25,000	7,857	3,786	4,071
<b>Net Change in Fund Balance</b>	3,156	19,174	23,462	4,288
Fund Balance - Beginning of year	41,019	41,019	30,837	(10,182)
Fund Balance - End of year	<u>\$44,175</u>	<u>\$60,193</u>	<u>\$54,299</u>	<u>(\$5,894)</u>

**VILLAGE OF ESTRAL BEACH**

*Tax Collection Agency Fund*  
*Statement of Changes in Assets and Liabilities*  
*June 30, 2008*

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Assets</b>				
Cash	<u>\$1,368</u>	<u>\$123,559</u>	<u>\$124,926</u>	<u>\$1</u>
<b>Liabilities</b>				
Due to other governmental units	<u>\$1,368</u>	<u>\$123,559</u>	<u>\$124,926</u>	<u>\$1</u>



**COOLEY HEHL  
WOHLGAMUTH & CARLTON**  
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA  
David K. Hehl, CPA  
Robert W. Wohlgamuth, CPA  
Peter H. Carlton, CPA  
Matthew D. Hehl, CPA  
Deborah A. Sabo, CPA  
Nicklaus W. Calkins, CPA

One South Monroe Street • Monroe, Michigan 48161-2230  
Telephone: (734) 241-7200 • Fax: (734) 241-2637  
www.chwccpa.com

Members:  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants  
Division for CPA Firms American Institute of  
Certified Public Accountants

Village Council  
Village of Estral Beach  
Monroe, Michigan 48162

In planning and performing our audit of the financial statements of the Village of Estral Beach as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

#### Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Village Council  
Village of Estral Beach

-2-

The following comments are not significant deficiencies or material weaknesses but are suggestions to improve your existing accounting and control systems.

Due to Other Funds

The following checks should be written to resolve the outstanding interfund receivables and payables:

Local Street Fund check to General Fund	\$ 4,733.33
Major Street Fund check to General Fund	3,894.87
1952 Dike Fund check to General Fund	558.62
General Fund to Fire Millage Fund	2,367.76
Major Street Fund to Local Street Fund	20,000.00

Budgets

We reviewed the Village's budgets for compliance with the state budget law. Even though the Village amended their original budget, there were still several areas where expenditures exceeded appropriations. Greater care needs to be taken when amending budgets to assure that expenditures do not exceed the budgeted amount.

Deficit Elimination Plan

The Major Street Fund ended the year with a deficit fund balance of \$21,211. The Village adopted a deficit elimination plan and received approval of the plan by the State of Michigan.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Very truly yours,

*Cadey Hehl Wohlgemuth + Carlton*

September 3, 2008